TO: The Public Service Commission

FROM: Repower Madison

Date: April 13, 2018

RE: Comments on Quadrennial Planning Process III Staff Memorandum (5-FE-101)

Thank you for affording us the opportunity to comment on the Commission Staff Memorandum dated March 22, 2018.

First, we wish to make a comment on an issue not covered in the memo. There is no subject in the memo with alternative Focus spending levels. We would like to point out the following:

1.) The law requires a minimum funding level based on a percentage of operating revenues derived from retail sales. At a minimum, the Commission should verify that a proposed funding level meets the minimum requirement.

2.) *Focus on Energy 2016 Energy Efficiency Potential Study* should inform the question of overall funding levels. That study found that there was annual energy efficiency savings potential greater than current goals and that potential could justify higher spending levels. Wisconsin is behind other midwestern utilities in both energy efficiency savings and spending. Funding levels is a very important aspect of what should be addressed in the Quadrennial Planning docket (5-FE-101).

3.) The statutory level of funding is a minimum requirement, therefore the Commission can address whether there should be an increase. It could be addressed in this docket and allow for intervenor comment.

We urge the Commission to have a discussion on overall Focus spending, open to all interested intervenors, at the same time as the goal discussion in the second part of this docket.

I. Priorities

A. Emphasis between Energy and Demand

Our Preferred alternative: Alternative One: Continue to establish Focus goals based on reductions in energy use and peak demand, with more emphasis on energy use savings and resulting emission reductions.

Why: According to the statutes the Focus program is to promote energy efficiency programs. The statute defines these programs in the following way:

> "Energy efficiency program" means a program for reducing the usage or increasing the efficiency of the usage of energy by a customer or member of an energy utility, municipal utility, or retail electric cooperative. "Energy efficiency program" does not include load management. (Wis. Stat. 196.374(1)(d).)

Because of this definition some emphasis on energy saving has historically been imbedded in the structure of the Program Administrator bonuses. Goal emphasis on energy saving is appropriate and the outcome of more energy than demand savings is also appropriate given the statute definition. The Focus program is about energy efficiency and the statutes specifically indicate that load management is not energy efficiency. The Focus program was developed and placed into law for a narrow purpose and that is what Focus should continue to target. If there is a need for some other energy savings area to be encouraged/targeted those areas should be separately funded so that they do not take funds from energy efficiency and the current Focus program.

B. Emphasis of Business versus Residential

Our preferred option: Alternative One: Approximately 60 percent of Focus funding shall be allocated to business programs and 40 percent to residential programs.

Why: Wisconsin Stat. 196.374(5m)(a) states that:

> "The commission shall ensure that, on an annual basis, each customer class of an energy utility has the opportunity to receive grants and benefits under energy efficiency programs equal to the amount that is recovered from the customer class."

Currently, funding for Focus programs is allocated with approximately 60 percent for business customer classes and 40 percent for residential customers, which is consistent with the historical proportion of Focus funding collected from each type of customer, based on their share of energy use.

The 2016 Energy Savings Potential Study, commissioned by the PSC to inform this quadrennial planning process, reported two facts: 1.) it found future savings potential generally consistent with existing allocations and 2.) residential customers may be able to account for a more significant share of savings than they have achieved in recent years due to the presence of cost-effective savings opportunities. Given these two facts, there is no evidence that the residential proportion should be decreased. There is already precedent for allowing the program administrator to adjust budgets toward the end of a year so programs that have high demand can receive additional funds from programs that are forecasting a surplus budget at the end of the year. Given this flexibility, changing the up-front allocation is not necessary.

The commission memo states:

> The Commission may want to select a different budget allocation under Alternative Two if it finds policy priorities merit greater emphasis on either business or residential programs. Any shift would need to be balanced with the requirements of Wis. Stat. § 196.374(5m)(a).

It is difficult to comment on the possibility of a change in budget allocation since neither the 'policy priorities' nor the 'balance need' is described. Without allowance for further intervenor comment on possible 'policy priorities' or 'balance needs', the initial funding allocation between residential and business should not be changed.

C. Balance Between Resource Acquisition and Market Transformation

Our preferred Alternative: Alternative Three: Performance metrics and budgets that reflect specific market development and transformation goals, in addition to specific resource acquisition goals, should be established. The budget should be twice the current efforts or approximately $5 million. Direct the EWG to report back to the Commission by November 1, 2018, on reasonable metrics for measuring progress on the areas chosen during the quadrennium.

Why: Resource Acquisition and Market Transformation are both consistent with the Statutes. Movement toward Market Transformation programs is appropriate but should be in pace with the development of and success of new program ideas and methods for their evaluation. A doubling of the current level of funding seems reasonable to keep Wisconsin learning at the cutting edge.

II. Cost-Effectiveness of Programs

A. Cost-Effectiveness Test

Our preferred Alternative: Alternative One: Focus programs shall meet a Modified TRC Test of cost-effectiveness.

Why: This has been the historical choice and has served the Focus program well. However, inclusion of the Expanded TRC *for informational purposes* would be reasonable, especially as the required data becomes more easily accessible and available on an *annual* basis. A change to the choice of primary cost effectiveness test could be made before the next quadrennial process if there was participation by intervenors in the process to make the change.

B. Avoided Costs –

1. **Electric Avoided Energy Costs**

Our preferred alternative: Alternative One: For the purposes of evaluating Focus, avoided electric energy costs shall be based on a forecasted LMP that is the average of LMPs across Wisconsin nodes.

Why: This has been the historical choice and has served the Focus program well. However, it would be reasonable to start developing transmission and distribution cost adders for avoided energy costs, but not reasonable to include them without opportunity for interested parties to contribute/comment on proposed values. A change to the 'electric energy avoided cost' could be made before the next Quadrennial process if there was participation by intervenors to make the change.

C. Discount Rate

Our preferred alternative: Alternative Two: Use a discount rate of 0 percent in Focus' cost-effectiveness tests.

Why: Focus dollars are ratepayer dollars to be invested on ratepayer's behalf. Therefore, we agree with the argument that Focus "energy efficiency and renewable energy programs reflect a public investment to achieve societal benefits, such as sustainability and reduced energy costs, rather than a private investment tied to market rates". A societal discount rate of 0 is most appropriate.

D. Value of Carbon

Our preferred alternative: Alternative Three: Focus cost-effectiveness tests shall value avoided CO2 emissions using the social cost of carbon. No later than October 2019, the EWG shall provide a report to the Commission on alternatives for an appropriate social cost of carbon value, at which time the Commission will select the proper valuation.

Why: Focus dollars are ratepayer dollars to be invested on ratepayer's behalf. Focus energy efficiency and renewable energy programs reflect a public investment to achieve societal benefits, such as sustainability and reduced energy costs, rather than a private investment tied to market benefits. Therefore, a societal cost of carbon is most appropriate for Focus.

III. Programs Requiring Funding Allocation Decisions

A.Renewable Energy Priorities and Funding

Our Preferred Alternative: Repower Madison signed on to the memo organized by Renew for 'Signatories' that covered these issues.

C. Inclusion of Underserved Rural Areas

Our preferred alternative: Alternative Two: Determine that rural programs can be folded into core Focus program offerings and track rural participation going forward as a contract goal/performance measure.

Why: Rural area customers have been underserved. The 2017 and 2018 programs will provide valuable information on how to reach those customers. Inclusion of some administrator contract goal/performance measures would help ensure that these customers are served in the future but there is no need to allocate separate funds and cause added administrative costs. If rural programs are rolled into current programs we feel that no more efficiency funds should go to broadband incentives. It would be difficult to do a cost-effectiveness test to determine administrator performance or bonus requirements for broadband incentives. The question of how to use any carry-over funds from this rural outreach program, and the digestor program should be dealt with during the second phase of this docket where goals and funding allocation levels will be determined.

IV. Focus-Utility Collaboration Issues: Behavioral Programs, Accessibility of Data, and Utility Voluntary Programs

A. General Framework for Focus and Utility Collaboration

Our preferred alternative: Alternative Four: Take no action.

It should be pointed out here that the Focus program was ordered by the PSC as part of an Advance Plan Order (the no-longer existing long-range planning process which included orders in the 05-AP-1 through 05-AP-6). The justification was that the utilities were not adequately providing energy efficiency programing for their customers, so it was necessary to have a *non-utility* centralized statewide effort to provide customers with adequate service. Wisconsin investor owned utilities were not cooperating between utility programs to allow the efficiency provided by state-wide programs. They were not investing in innovative cost-effective programs nor were they spending justified levels of funds to promote energy efficiency.

We are uncomfortable with Alternative One because a collaborative, with the framework described in the memo:

> "A steering committee for the framework could be established to take primary responsibility for managing the collaborative framework. The committee can include representatives of Commission staff, the Focus Program Administrator, the Focus Program Evaluator, and participating utilities. Multiple utility representatives should be selected to ensure representation from utilities of different sizes and types (investor-owned utilities, municipal utilities, and electric cooperatives), and that serve different geographic regions of the state"

would allow too much utility influence in decision making. This would open the possibility of getting back to where we were before the statutory requirement for Focus.

While the described collaborative effort might be preferable to some, it is not necessary to have a collaborative to ensure data availability. If investor owned utilities refuse to provide data or refuse to cooperate, the PSC has the authority to order the investor owned utilities to provide the information and to cooperate as needed to make Focus successful.

B. Behavioral Programs

Our preferred alternative: Alternative Two: Focus funds may be used for residential behavioral pilots during the quadrennium, at the discretion of the Program Administrator.

Why: Behavioral programs should be treated the same as all other programs. There is no need for Commission review of program designs since the Program Administrator has goals and bonuses to guide its choices. The Focus potential study concluded that behavioral programs account for a significant share of future residential energy savings potential, consistent with the growing prevalence of those programs in other states. There was a larger share of potential for behavioral programs than all other residential measure offerings except LED lighting, smart power strips, and appliance recycling, and by far the largest share of potential for any new residential measure not already offered by Focus.

C. Accessibility of Data from Participating Utilities

Our preferred alternative: Alternative Two: Direct Commission staff to work with utility staff and Focus staff to identify opportunities to expand Focus access to utility data when that access can be achieved at reasonable cost.

Why: Reasonable costs would be costs similar to those encountered by the potential study and the Focus evaluator. If the potential study contractor and the Focus evaluator has been able to work out data confidentiality issues it should be possible for the Program Administrator as well. The Focus Program Administrator *should* have regular access to utility-maintained data on customer characteristics and energy usage. There would be opportunities for enhanced Focus programming and marketing through increased use of utility data. Data on customer characteristics could be collected and analyzed to support more targeted marketing of Focus programs to customers most likely to be interested or those underserved. Access to utility data would also allow programs to be targeted towards the highest-use customers because those customers often have opportunities to achieve greater amounts of savings than lower-use customers.

D. Utility Voluntary Programs

Our preferred alternative: Alternative Three: Take no action.

Why: The other two alternatives are dependent on the use of the collaborative process and we are not recommending the use of a collaborative process.

V. Issues Related to Energy Goals

Savings Goals

Our preferred alternative: Alternative Two: Do not establish an overall energy goal and keep specific kWh, therm, and kW goals.